



**DORSET & WILTSHIRE
FIRE AND RESCUE
AUTHORITY**

Item 20/37

MEETING	Finance & Audit Committee
DATE OF MEETING	4 December 2020
SUBJECT OF THE REPORT	Financial Monitoring Report – Quarter 2 2020-21
STATUS OF REPORT	For open publication
PURPOSE OF REPORT	For Information
EXECUTIVE SUMMARY	<p>This report provides an analysis of the current financial position for the 2020-21 financial year, reflecting actual spending to 30 September 2020.</p> <p>The revenue and capital budgets continue to show a positive position for this year, inevitably mainly caused by the impact of the coronavirus pandemic. Employee costs are currently projected to be just over 2% below budget, there are number of one-off non-pay savings forecast, some of which have increased since quarter 1, and overall income is better than expected, particularly as additional one-off funding has been received for the Coronavirus response and protection resourcing post-Grenfell.</p> <p>Overall, the revenue forecast shows a current net positive variance of £1.87m. This is £819k less than in quarter 1, but this reflects a change to the expected use of reserves. The projected balance on reserves at the end of the financial year is higher now, compared to quarter 1. This is important as we expect to see a significant adverse financial impact of the Coronavirus pandemic, particularly for the 2021-22 financial year.</p>

	<p>A revised capital programme total of £7.357m is shown in Section 4, reflecting carry forwards from last year, and significant reductions in the property and vehicle programmes as a result of the coronavirus pandemic. The current forecast shows some additional expected underspend on this revised programme, but the position is very much subject to change, given the continuing impact of the pandemic.</p>
RISK ASSESSMENT	<p>Financial sustainability remains a key focus as a strategic risk, and as such the monitoring of the financial position is a critically important factor in financial planning and decision making for the Authority. Any anticipated financial outcome arising will therefore feature in the medium-term financial planning and budget setting process.</p>
COMMUNITY IMPACT ASSESSMENT	<p>None for the purposes of this report</p>
BUDGET IMPLICATIONS	<p>None for the purposes of this report</p>
RECOMMENDATIONS	<p>Members are asked to:</p> <ol style="list-style-type: none"> 1. Note and comment upon the current financial position as at 30 September 2020.
BACKGROUND PAPERS	<p>Medium Term Finance Plan 2020-21 to 2023-24</p>
APPENDICES	<p>Appendix A – Revenue Budget Summary 2020-21 Appendix B – Summary of Reserves 2020-21 Appendix C – Capital Budget Summary 2020-21</p>
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1. Introduction

- 1.1 This report provides an update of the revenue budget position for the 2020-21 financial year, covering the period to 30 September 2020. The net revenue budget was set in February 2020 at £56.884m.
- 1.2 Appendices A and C show the summary revenue and capital projections. Variations have been “traffic lighted” to highlight the major variances, with those in excess of £20,000 (under or overspending) shown in pink, those between £10,000 and £20,000 in yellow and those below £10,000 in green.

2. Major Variations from Revenue Budget

2.1 Employees (note 1)

- 2.1.1 The report shows an overall projected saving of £1.14m for Employee costs now, compared to £976k previously, representing 2.3% of the budget amount. This is based on actual costs to date and projected costs based on previous spend profiles, along with anticipated staffing numbers for the remainder of the financial year. The projections include the impact of the 2% pay award received by operational staff and 2.75% pay award received by corporate staff.
- 2.1.2 As Members are aware, significant additional staff costs were incurred as a result of the Wareham Forest fire. The overall cost of the incident is now estimated at £570k, including £484k of staff costs, primarily for on-call staff resources. We are still in discussion with the Ministry of Housing Communities and Local Government (MHCLG) and the Home Office in an attempt to recover these costs. The first £115k of costs is likely to have to be covered by the Service, reflecting the principles of the Bellwin financial assistance scheme.
- 2.1.3 Net savings of £119k on non-pay employee costs are now included in the forecast, up from £53k in the 1st quarter. This mainly reflects the impact of the coronavirus pandemic on training activity and costs.
- 2.1.4 The Service will have to make some additional one-off ill-health retirement contributions this year. The base budget includes provision for £50k, but a minimum of £238k is likely to be required for 2020-21. Budget adjustment has been included to reflect the increased spend, supported by an increased contribution from the Ill-Health Retirement Reserve.

2.2 Transport (note 2)

- 2.2.1 Forecast savings on fuel and other travel costs as a result of home working and the reduction in staff movements related to the coronavirus pandemic have been increased from £133k in the first quarter, to £207k this quarter. We expect to make ongoing budget savings in this area in future.

2.3 Supplies and Services (note 3)

- 2.3.1 Forecast savings against this area have also now increased, up from £220k 1st quarter to £307k now. The savings are in areas such as smoke alarms procurement, scrap cars for Road Traffic Collision training, hotel accommodation for external events, catering and subsistence costs.

2.4 Capital Financing and Leasing Costs (note 4)

- 2.4.1 The budget includes £2.4m in respect of charges to finance long-term borrowing. Due to the lower capital spending in 2019-20, as well as our current borrowing profile, it is expected that savings will be made against this sum. Savings of £203k are currently estimated, but further savings of between £100k and £150k are likely to accrue, depending on the amount and timing of any new borrowing.

2.5 Income (note 5)

- 2.5.1 General income and investment returns have clearly been adversely impacted by the coronavirus pandemic. The anticipated reduction in general income reflects a reduction in areas such as premises, co-responder, and primary authority scheme. Whilst our cash position remains healthy, the rates of return available on short-term investments remain very marginal.

- 2.5.2 Various budget adjustments for additional grants and contributions received have been made (note 6):

- Firelink Grant – additional £40k received but matched to additional spend
- Covid-19 Grant - £1.12m received by the Service from second tranche of Government funding and £200k received on behalf of Dorset Civil Contingency Unit
- Protection Grants – an additional £428k received as three separate grants related to the Grenfell Tower Inquiry, high-rise residential building risk review and protection uplift.

3. Reserves and Balances (note 7)

- 3.1 Appendix B shows the details of reserves and balances.

- 3.2 General balances stood at £2.792m as at 1 April 2020, representing 5% of the 2019-20 net revenue budget. This is planned to increase to £2.814m for 2020-21.

- 3.3 Earmarked reserves (£12.876m) and grants (£2.021m) stood at £14.897m as at 1 April 2020. Appendix B shows the expected change in these reserves and currently shows an overall increase of £484k, not including the £1.866m

underspend forecast. This compares to an on overall reduction of £825k shown in quarter 1. The significant change in forecast reflects the additional grant receipts referred to in paragraph 2.5.2, less the expected use of those grants in the year, along with a change in assumption about the use of our Transformation Improvement Reserve. The budget assumed that £658k would be used from this reserve during the 2020-21 financial year, but the overall financial position now allows for this assumption to be removed.

- 3.4 The forecast year-end balance on earmarked reserves and grants is £17.247m, including the current £1.866m underspend forecast. The comparative figure from quarter 1 was £16.757m.

4. Capital Programme

- 4.1 The original capital programme for 2020-21 totalled £10.4m. Projects totalling just over £1m have been carried forward from 2019-20 and further changes to the programme were reported in quarter 1, resulting from the impact of the coronavirus pandemic. The revised capital programme for 2020-21 now totals £7.357m but may be subject to further change.
- 4.2 Appendix C shows current and projected spending levels, and sections 4.3 to 4.5 provide more detail.
- 4.3 IT and Communications (note 8)
- 4.3.1 Hardware replacements – The original budget amount included £450k for replacing fireground radios. This was reduced to £387k in quarter 1, but we now expect spending this year to be only £340k. Further net changes of £65k are also included, reflecting projects being realigned across this year and next.
- 4.3.2 Systems harmonisation – this item is for the new equipment asset management system. System, hardware and project support costs this year are expected to be £200k, compared to the £255k currently available.
- 4.4 Vehicles and Equipment (note 9)
- 4.4.1 Vehicles - The vehicle replacement programme has been significantly impacted by the coronavirus pandemic, but the revised programme currently remains on track. Undoubtedly, there could still be further delays to vehicle delivery timescales as we see the pandemic continuing to impact over the winter period.
- 4.4.2 Operational & other equipment – The £1.639m original budget shown for operational and other equipment includes £1.4m in respect of equipment for the nineteen new fire appliances that are on order. £100k has been carried forward as a provision against any final purchase needs for the replacement of the Personal Protective Equipment (PPE) project.

5. Summary and key points

- 5.1 The revenue budget shows a forecast outturn saving of £1.87m at the current time. This mainly reflects the short-term effect of savings and financial support related to the coronavirus pandemic, along with the one-off protection grants. Whilst this is a helpful short-term position, we remain very concerned about the outlook for 2021-22.
- 5.2 The overall capital programme budget for 2020-21 has reduced to £7.357m at the current time, including carry forward requirements from last year, and significant changes to the current estates and vehicle programmes as a result of the pandemic. The current position reflects some modest underspends against the revised programme, but the position is very much subject to change given the continuing impact of the pandemic.

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